

Goal Three: Foster open, competitive, and financially sound markets.

Total FY 2002 Budget:	\$24,277,000	170 FTEs
Total Change from FY 2001:	\$ -23,000	-27 FTEs

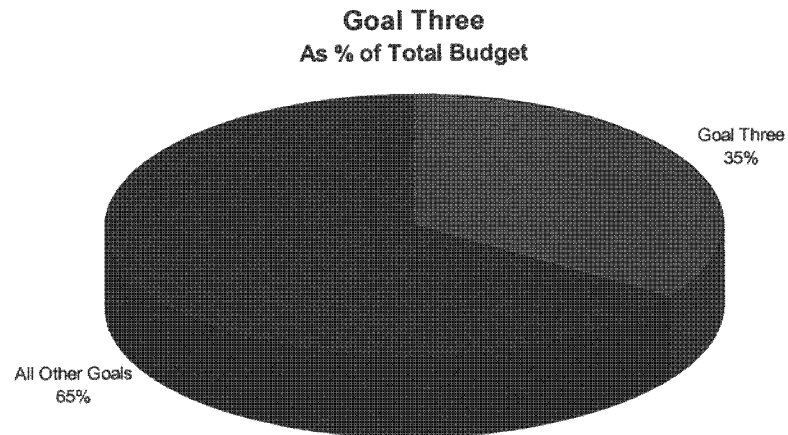


Figure 11: Goal Three – As Percentage of Total Budget

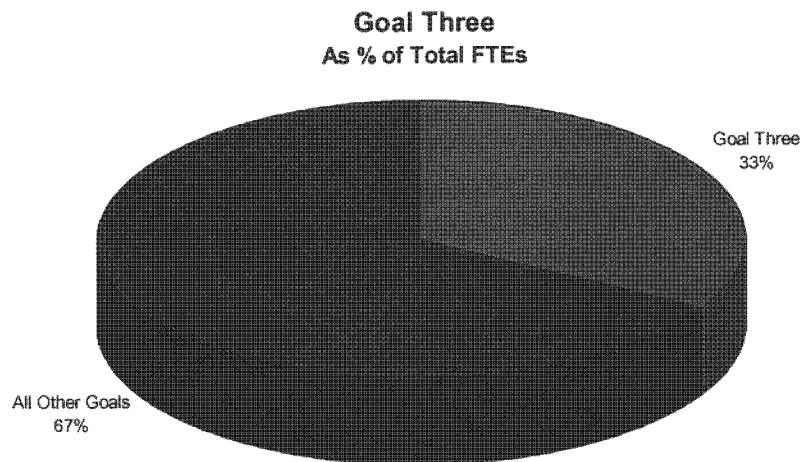


Figure 12: Goal Three – As Percentage of Total FTEs

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Goal Three: Foster open, competitive, and financially sound markets.	
Outcome Objective	Activity
1. Ensure sound financial practices of clearing organizations and firms holding customer funds.	<ol style="list-style-type: none"> 1. Promulgate regulations to ensure sound business, financial, and sales practices in firms participating in the commodities industry. 2. Review and oversee self-regulatory organization audit and financial practices. 3. Identify and investigate possible financial, capitalization, segregation, and supervision violations for investigation and possible prosecution.. 4. Bring cases concerning financial, capitalization, segregation, and supervision violations. 5. Sanction violators.
2. Promote and enhance effective self-regulation of the commodity futures and option markets.	<ol style="list-style-type: none"> 1. Review and approve self-regulatory organization rules and rule amendments. 2. Conduct rule enforcement reviews of self-regulatory organizations (financial practices, sales practices, trade practices, and audit trail). 3. Review and oversee self-regulatory organization audit and financial practices. 4. Review adequacy of self-regulatory organization disciplinary actions. 5. Conduct direct audits of clearing organizations and firms handling customer money to ensure compliance with capitalization and segregation rules. 6. Promulgate regulations to ensure effective self-regulation by exchanges, clearing organizations, and registered futures associations.
3. Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.	<ol style="list-style-type: none"> 1. Coordinate and cooperate with global financial services regulators to share vital information concerning markets, intermediaries, and regulatory structure. 2. Coordinate and cooperate with global financial services regulators to develop appropriate global standards and arrangements in the commodities industry as markets emerge and evolve. 3. Participate in the International Organization of Securities Commissions and represent the Commission at international meetings concerning commodity regulation. 4. Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among US financial regulators. 5. Provide exemptive, interpretive, or other relief as appropriate to foster the development of innovative transactions, trading systems, and similar arrangements.
4. Promote markets free of trade practice abuses.	<ol style="list-style-type: none"> 1. Identify possible trade practice violations for investigation and possible enforcement proceedings. 2. Investigate possible trade practice violations. 3. Bring cases concerning trade practice violations. 4. Sanction violators.

Goal Three: FY 2001 and FY 2002 Plan by Program

Market Surveillance, Analysis & Support

Rule Enforcement Review

The staff of the Market Surveillance, Analysis, and Research program will assist Trading and Markets program staff in conducting two rule enforcement reviews of exchange market surveillance programs in FY 2001 and two in FY 2002.

Information on the Functions and Utility of the Markets

During FY 2001 and FY 2002, Market Analysis and Research staff will continue to provide analytic support and expertise for enforcement cases involving questionable trade practices or trading abuses. Resources also will be devoted to an analysis of the competitive implications of exchange and OTC derivative market developments.

Trading & Markets

Fostering Sound Financial Practices: Financial Surveillance and Risk Assessment

In FY 2001 and FY 2002, the Trading and Markets program will, consistent with available resources, endeavor to maintain its ongoing subprograms to ensure sound financial practices, effective self-regulatory programs, a flexible regulatory framework that remains responsive to market developments, and markets free of abusive trade practices and other wrongful conduct. These program activities will face increased demands due to the growing complexity of market structures and product innovations in an increasingly global marketplace. With respect to financial surveillance the financial surveillance programs of both existing and new markets will require oversight to ensure effective self-regulation. Simultaneously, the Trading and Markets program may be forced to contract at a time when it should be expanding its financial surveillance program to monitor these new markets for adverse effects of price volatility and other disruptions.

In addition to the expansion of markets and products, the Trading and Markets program will need to address several deregulatory proposals and the effects of such proposals. Trading and Markets program staff anticipate that implementation and review activities relating to the following issues, among others, will be principal areas requiring staff resources: 1) the continuing movement to risk-based capital in lieu of capital based on a fixed percentage of customer funds; 2) the expansion of permissible investments of customer segregated funds; 3) the potential for including additional instruments in segregation; and 4) the election by customers to "opt-out" of having their funds held in segregation. Fewer staff resources will limit the ability of the Trading and Markets program to determine the effects these measures will have by constraining the level of review of self-regulatory programs and the conduct of direct audits and financial surveillance.

During FY 2001 and FY 2002, Trading and Markets staff will continue to submit formal reports on its oversight of self-regulatory organizations to

the Commission. Trading and Markets staff expect that such reports will be increasingly horizontal in nature to review critical program elements at several SROs simultaneously. Trading and Markets staff will also conduct 40 to 50 direct examinations of Commission registrants, process approximately 80 to 90 risk assessment filings by FCMs, and review 4,500 to 5,500 financial reports from FCMs, IBs, and commodity pools. The staff also anticipates continuing support to the Enforcement program on accounting matters and the application of financial requirements.

Promoting Effective Self-Regulation and Protecting Markets from Abusive Trade Practices

Trading and Markets staff will conduct seven reviews of SRO compliance activities in FY 2001 and five such reviews in FY 2002 to ensure that each SRO program is conducted effectively. These reviews focus on the affirmative programs through which SROs enforce their rules. Under the new regulatory framework of the CFMA, such reviews will focus on assuring adherence by contract markets and derivatives transaction execution facilities to the core principles governing such entities under the new regulatory framework. These reviews will take on increased importance as one of the Commission's principal regulatory tools in its transformed role of oversight regulator under the CFMA.

In each of FY 2001 and FY 2002, staff expect to review approximately 350 SRO rule and rule amendment submissions containing approximately 730 rules to ensure the protection of customers, the financial integrity of firms, and the fair treatment of market participants, while accommodating product innovations and fostering efficiency. Areas of possible activity include new exchanges, exchange mergers, links with OTC markets and foreign exchanges, common clearing and other clearing organization restructuring, and automated trading systems.

With respect to deterring and detecting abusive trade practices, the Trading and Markets program will continue its regular program of trade practice investigation, including more than 100 such investigations in FY 2001 and 87 investigations in FY 2002. Staff will refer cases to the Enforcement program and the exchanges as appropriate. Staff will also continue development and implementation of enhancements to the automated trade surveillance system at the Commission.

Reports, Rulemakings, and Guidance to Enhance Self-Regulatory Effectiveness to Ensure a Flexible Regulatory Environment

The Trading and Markets program will prepare and issue reports, rulemakings, and guidance in order to enhance the self-regulatory effectiveness of the Commission's regulatees. Some of this work will be conducted in accordance with the recommendations in the Commission's CFMA mandated report on intermediaries. Through such activity, the program will help continue Commission efforts to streamline regulatory requirements and ensure a flexible regulatory environment that can accommodate the profound changes now occurring in the world futures marketplace. In this area, Trading and Markets staff will continue to address the creation of new clearing structures and the proliferation of new electronic execution facilities for derivatives. Also pursuant to the CFMA, derivatives clearing organizations must now register with the Commission. Trading and Markets staff will add this activity to their existing responsibilities. Staff will also continue to respond to: 1) expanding use of

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computer and communication technology; 2) electronic trading systems and cross-border transactions; and 3) resulting changes in how markets are accessed by participants and how intermediaries conduct business with customers. Staff will address potential systemic problems and risks, through timely preparation of reports and guidance relating to major market events. With the assistance of outside consultants, the Trading and Markets staff will continue to develop and begin to implement an enhanced electronic trade database and surveillance system. Staff also will be developing new approaches to trade surveillance that specifically are tailored to electronic trading systems.

During FY 2001 and 2002, the Trading and Markets program will support the Commission's regulatory reform program established in accordance with the CFMA. The staff will continue to review the Commission's existing regulatory requirements and accept input from registrants and other financial industry participants in order to propose, for adoption by the Commission, appropriate amendments to regulations consistent with the goals and principles of the regulatory reform program under the CFMA. Reports, rulemakings, and guidance from the Trading and Markets program will take on increased importance in the new oversight environment created by the CFMA's new regulatory framework, as SROs endeavor to adhere to the framework's core principles while responding to the demands of the futures marketplace for innovation and global competitiveness. The Trading and Markets program will also provide assistance to industry participants, counsel, and the public in interpreting and applying the new regulatory framework to concrete factual situations. As the Commission's role shifts from that of front-line regulatory function to more of an oversight function, the program will be actively involved in that transition.

As mandated by the CFMA, the Trading and Markets program staff will continue to review Commission rules and to evaluate their effectiveness and necessity as products and markets continue to evolve. The staff will, as necessary, develop and promulgate regulations and promote standards that provide appropriate guidance to market participants but continue to allow sufficient flexibility. For example, the staff: will consider the development of final rules in connection with memorializing certain interpretative and no-action letters that address when foreign brokers must register with the Commission or obtain an exemption from such registration; will continue to work with the NFA in developing a rule proposal to exempt from CPO registration requirements the operators of pools that engage in no more than a designated minimum level of commodity interest trading; and will review a broad range of existing regulatory requirements affecting CPOs and CTAs, with a view towards adapting those requirements to better suit the current state of financial market evolution and to account for changes in the way market participants do business. In addition, the Commission, as part of its regulatory reform program initiated in FY 2000, indicated its willingness to respond favorably to an NFA rule change eliminating the proficiency examination requirement for salespersons dealing exclusively with institutional customers. The Trading and Markets program staff anticipates working with NFA in this regard.

The Trading and Markets program also will continue to review and recommend appropriate revisions of the capital rules for FCMs and IBs so that such firms, the exchanges, and the clearing organizations can en-

hance their operating efficiency while maintaining a sufficient capital cushion. Staff will continue to provide guidance and relief, as appropriate, to the public, persons new to the futures industry, and market professionals on a wide range of basic compliance matters such as registration, disclosure, record-keeping, and treatment of customer funds.

The Trading and Markets program also will review no-action requests from foreign boards of trade seeking to place terminals in the US without being designated as a contract market or registered as a derivatives transaction execution facility. In addition, the program will review and monitor innovative trading mechanisms developed by the energy industry in response to the deregulation of that industry, particularly those existing in an off-exchange environment, and the program will continue to provide guidance and appropriate regulatory relief by no-action letter and other available means.

Although the Trading and Markets program will endeavor to accomplish all of the FY 2001 and FY 2002 program plans as discussed in this section, it may not be possible to accomplish all of them, or to accomplish all of them as expeditiously or as fully as in the past, under the decreased staffing levels.

Enforcement

The Enforcement program will continue to devote resources to its role in fostering open, competitive and financially sound markets through investigations and prosecutions relating to financial, supervision, and compliance failures by firms handling customer funds and trade practice abuses by market participants.

The Enforcement program anticipates that its investigation and prosecution of significant supervision, compliance, and internal controls failures may grow as trading volume grows and regulated firms compete aggressively for customers in a changing regulatory and technological environment. Such violations threaten the financial integrity of registered firms holding customer funds and can, if large enough, threaten the financial integrity of clearing organizations. In addition, without adequate supervision and compliance systems in place, customers remain vulnerable to fraud, including misallocation of trades and unauthorized trading. Diligent supervision by registered firms also protects markets from the abusive practices of traders, including wash sales and manipulation. Such cases tend to be complex and time consuming, requiring substantial testimony from all employees and managers in the supervisory chain. These cases often result in substantial remedial changes in the supervisory structures and systems in large FCMs following comprehensive reviews by the firms pursuant to Commission orders. These cases have had a substantial impact on the way firms do business and are an important part of the responsibility of the Commission to promote sound practices by registered firms.

Enforcement program staff will continue, in the first instance, to rely on SROs and independent auditors to monitor compliance and supervision by registered firms. When appropriate, however, Enforcement program

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staff will undertake aggressive investigations and prosecutions to remedy failures in this area.

Enforcement program staff will continue to prosecute trade practice violations in appropriate cases. Even with regulatory changes to facilitate trading by institutional customers, the Commission continues to be responsible for fostering markets that are free of fraudulent trading practices. This requires a strong enforcement presence in this area. Exchanges play an important role in fostering open, competitive markets through surveillance and disciplinary actions. With technological improvements and enhanced audit trails, the Enforcement program does not expect the number of Commission enforcement actions in this area to increase. Nevertheless, given the importance of maintaining markets free of abusive trading practices, program staff must be prepared to act when necessary. Such investigations tend to be among the most complex and time-consuming matters undertaken by program staff and will require the commitment of substantial resources for the foreseeable future.

Internationally, the Enforcement program will continue to negotiate cooperative enforcement arrangements as foreign authorities obtain enhanced regulatory and enforcement powers and become full partners in investigating and prosecuting futures and option violations. In FY 2000, the Commission and the SEC signed an MOU with the Monetary Authority of Singapore (MAS) concerning consultation, cooperation, and the exchange of information. Such arrangements have been critical to the investigation and prosecution of cases involving fraud and manipulation. The Enforcement program will continue to pursue opportunities to enter into such arrangements in the future, and will also participate in international organizations that encourage the development of high regulatory standards and cooperative enforcement. Such organizations have had a significant effect on lowering the barriers to sharing information between futures regulators and encouraging foreign jurisdictions to empower their regulators to enforce futures and option laws.

Office of Proceedings

The Office of Proceedings will continue to hear and decide administrative enforcement cases brought by the Commission against persons or firms charged with violating the Act or Commission rules and regulations.

Office of the General Counsel

Promulgating Regulations to Ensure Sound Business, Financial, and Sales Practices

The Office of the General Counsel will continue to draft or review all proposed and final Commission rules and rule amendments to assure their legal sufficiency and conformance with the CEA and Commission policy and precedent. In particular, the Office will coordinate the Commission's work with the SEC and other agencies to accomplish the joint rulemakings required by the CFMA.

Financial, Capitalization, Segregation and Supervision Violations

The Office of the General Counsel will continue to review all proposed enforcement actions involving the investigation, prosecution, and sanctioning of violators of financial, capitalization, segregation, and supervision

requirements to assure their legal sufficiency and conformance with the requirements of the CEA and Commission policy and precedent.

Promoting Effective Self-Regulation

The Office of the General Counsel will continue to review all proposed SRO rules and rule amendments for legal sufficiency and conformance with general commission policy and precedent.

Facilitating a Flexible Regulatory Environment

The Office of the General Counsel will continue to provide support to Commission efforts to coordinate and cooperate with global financial service regulators, to share vital information, and to develop appropriate global standards. It will also assist the Commission in promoting a flexible regulatory environment by analyzing requests for exemptions from the CEA and Commission regulations and by preparing and reviewing exemptive, no-action, and interpretive letters.

Coordination of Information and Efforts Among US Regulators

The Office of the General Counsel will continue to provide support to Commission representatives participating in the President's Working Group on Financial Markets.

Administrative Matters

The Office of the General Counsel will continue to advise the Commission with respect to a wide range of administrative matters. Ongoing responsibilities will include supporting the Commission during its reauthorization efforts before Congress; monitoring and commenting on proposed government-wide legislation affecting the Commission; assisting the Commission in responding to Congressional inquiries; advising the Commission with respect to issues involving the Freedom of Information, Privacy, Government in the Sunshine, Regulatory Flexibility, Paperwork Reduction, and Federal Advisory Committee Acts; assisting the Commission in responding to third-party subpoenas; providing support with respect to ethics issues; and advising the Commission on personnel, labor, and employment law matters.

Executive Direction & Support

Agency Direction

In FY 2001 and FY 2002, OIA will continue to coordinate the Commission's representation in international forums; to cooperate with global financial services regulators to share information concerning markets, intermediaries, and regulatory structures; and to develop appropriate standards and arrangements in the commodities industry. Also, in FY 2001 and FY 2002, OIA will continue to participate in IOSCO, the Council of Securities Regulators of the Americas (COSRA), and other international organizations to facilitate cross-border business through the elimination of unnecessary legal and practical impediments, to encourage market discipline through greater transparency, and to enhance customer and market protections through the development of cooperative arrangements and internationally accepted standards for the regulation of markets and financial services firms. During FY 2001, OIA will continue to coordinate the Commission's activities within the IOSCO Technical Committee and its working groups, with special focus on issues re-

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lated to transparency needs of organized markets, contract design principles for narrow-based stock indexes, coordination of trading halts, clearing and settlement systems and intermediaries. The Commission also will work within IOSCO to assess implementation of IOSCO's core regulatory principles. During FY 2001, OIA will continue to develop cooperative arrangements to share information needed by other regulators or SROs to register firms that are remote members of US markets. OIA will continue to provide technical support to the US Treasury's efforts in international groups such as the Financial Stability Forum to increase the transparency of markets and to strengthen the global markets' financial architecture. In both fiscal years, OIA will continue to provide technical assistance to foreign market authorities and to GMAC of the Commission. OIA will seek support for its technical assistance activities.

Administrative Management & Support

In FY 2001, OIRM will continue work to support review of industry efforts relating to electronic systems. In FY 2002, these efforts will continue.

In FY 2001, the EMC initiated a project to complete deployment of a system for electronic filing of firm financial condition statements. This project will continue in FY 2002.

Support Strategy to Address Goal Three Management Challenges

Goal Three: Support Issue/Management Challenge #1

Upgrade the civil monetary penalties database to include basic reports and to expand the database in order to be able to record information on the collection of restitution and disgorgement penalties.

Support Strategy

Trading and Markets, with support from OIRM, is working on further developing the ACCESS computer database presently in place to be able to generate reports on the collection of CMPs, as well as restitution and disgorgement penalties. This will be done on a part-time basis by support staff. The Trading and Markets program anticipates transferring this function to the Division of Enforcement prior to the end of FY 2002.

Working Relationships in Support of Goal Three

Presidential Working Group on Financial Markets

Coordinated initiatives concerning risk assessment, capital requirements, internal controls, disclosure, accounting, market practices relating to derivative instruments, hedge funds, bankruptcy law revisions, and contingency planning for market emergencies.

Foreign Market Authorities & Exchange

Technical assistance and promotion of international regulatory standards by allowing other regulators to benefit from the Commission's vast experience.

Educational Forums

Discussions of the CEA, Commission rules, pending rule changes, and market developments at conferences sponsored by the Practicing Law Institute, the AICPA, the SIA, IOSCO, the Managed Funds Association, and the FIA.

Financial Products Advisory Committee

A channel for communicating with the diverse financial community to obtain advice and recommendation on issues related to financial markets including issues such as futures-style margining of options, bunched order allocation, notional funds, non-competitive transactions, and Y2K issues.

Global Market Advisory Committee

A means for obtaining input on international market issues that affect the integrity and competitiveness of US markets and firms engaged in global business especially with regard to the regulatory challenges of a global marketplace including avoiding unnecessary regulatory or operational impediments faced by those doing global business and the placement of electronic terminals of foreign exchanges in the US.

Memoranda of Understanding/International Arrangements

Cooperation with foreign regulatory and enforcement authorities through MOUs and other arrangements: 19 formal cooperative enforcement arrangements, four arrangements relating to financial information sharing, and nine cooperative arrangements for sharing information on matters related to the implementation of the Commission's Part 30 regulations, which grant foreign firms an exemption from certain Commission rules.

International Organization of Securities Commissions (IOSCO)

Provides vehicle for exchanging information and expertise among regulatory authorities for the supervision of world securities and derivatives markets, to establish standards of best practices, to ensure market integrity, and to promote effective supervision. Work conducted through working parties and special purpose task forces that specialize in issues related to multinational disclosure and accounting, the regulation of secondary markets, the regulation of market intermediaries, and investment management.

Table 5: Goal Three – Summary of Request by Program

	FY 2001		FY 2002		CHANGE	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
Market Surveillance, Analysis, & Research	\$536	5	\$235	2	-\$301	-3
Trading & Markets	12,389	103	12,286	88	-102	-15
Enforcement	3,047	24	3,255	22	207	-2
Proceedings	229	2	130	1	-99	-1
General Counsel	1,049	7	1,044	6	-7	-1
Executive Direction & Support	7,050	56	7,326	49	277	-7
TOTAL	\$24,300	197	\$24,277	170	-\$25	-27

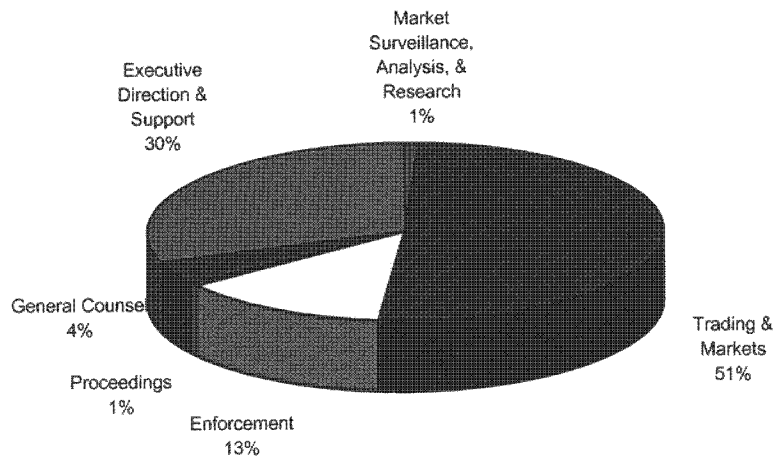


Figure 13: Goal Three – FY 2002 Budget Dollars by Program

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Table 6: Goal Three – Summary of Request by Outcome Objective

	FY 2001		FY 2002		CHANGE	
	\$ (000)	FTE	\$ (000)	FTE	\$ (000)	FTE
GOAL THREE: Foster open, competitive, and financially sound markets.						
Outcome Objectives						
3.1 Ensure sound financial practices of clearing organizations and firms holding customer funds.	\$ 3,963	30.52	\$ 4,434	29.34	\$ 470	-1.18
3.2 Promote and enhance effective self-regulation of the commodity futures and option markets.	11,530	94.99	10,849	78.80	(681)	-16.20
3.3 Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.	4,285	35.08	4,382	29.57	96	-5.51
3.4 Promote markets free of trade practice abuses.	4,523	36.64	4,612	32.73	91	-3.92
TOTAL	\$ 24,300	197.23	\$ 24,277	170.43	\$ (25)	-26.80

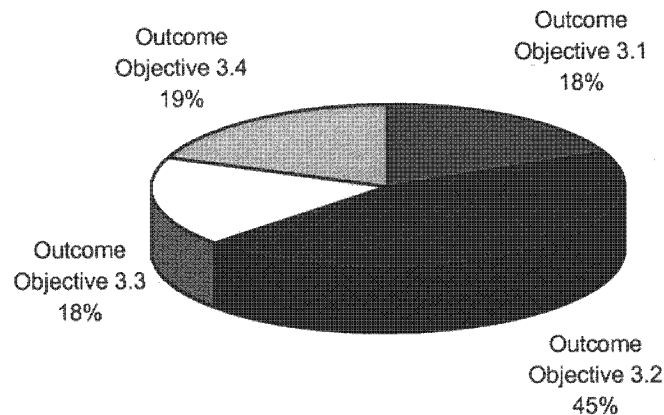


Figure 14: Goal Three – FY 2002 Budget Dollars by Outcome Objective

Ranking of Goal Three Activities

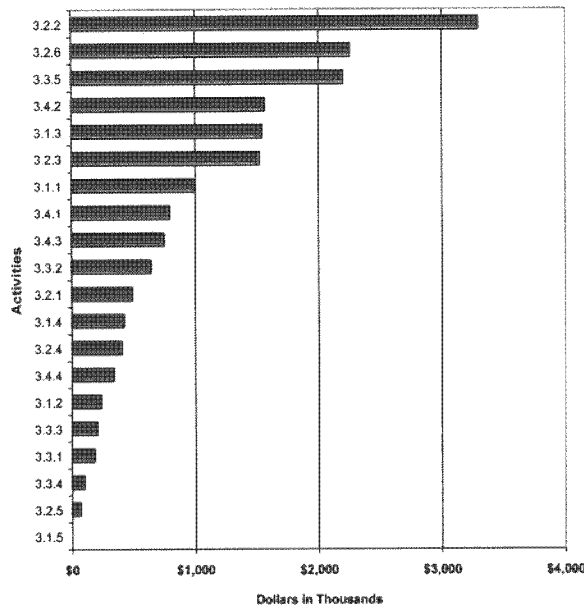


Figure 15: Ranking of Goal Three Activities

- **Activity 3.2.2:** Conduct rule enforcement reviews of self-regulatory organizations (financial practices, sales practices, trade practices and audit trail).
- **Activity 3.2.6:** Promulgate regulations to ensure effective self-regulation by exchanges, clearing organizations, and registered futures associations.
- **Activity 3.3.5:** Provide exemptive, interpretive, or other relief as appropriate to foster the development of innovative transactions, trading systems, and similar arrangements.
- **Activity 3.4.2:** Investigate possible trade practice violations.
- **Activity 3.1.3:** Identify and investigate possible financial, capitalization, segregation, and supervision violations for investigation and possible prosecution.
- **Activity 3.2.3:** Review and oversee self-regulatory organization audit and financial practices.
- **Activity 3.1.1:** Promulgate regulations to ensure sound business, financial, and sales practices in firms participating in the commodities industry.
- **Activity 3.4.1:** Identify possible trade practice violations for investigation and possible enforcement proceedings.
- **Activity 3.4.3:** Bring cases concerning trade practice violations.
- **Activity 3.3.2:** Coordinate and cooperate with global financial services regulators to develop appropriate global standards and arrangements in the commodities industry as markets emerge and evolve.
- **Activity 3.2.1:** Review and approve self-regulatory organization rules and rule amendments.
- **Activity 3.1.4:** Bring cases concerning financial, capitalization, segregation, and supervision violations.
- **Activity 3.2.4:** Review adequacy of self-regulatory organization disciplinary actions.
- **Activity 3.4.4:** Bring enforcement proceedings against violators.
- **Activity 3.1.2:** Review and oversee self-regulatory organization audit and financial practices.
- **Activity 3.3.3:** Participate in the International Organization of Securities Commissions and represent the Commission at international meetings concerning commodity regulation.
- **Activity 3.3.1:** Coordinate and cooperate with global financial services regulators to share vital information concerning markets, intermediaries, and regulatory structure.
- **Activity 3.3.4:** Participate in the President's Working Group on financial Markets to ensure coordination of information and efforts among U.S. financial regulators.
- **Activity 3.2.5:** Conduct direct audits of clearing organizations and firms handling customer money to ensure compliance with capitalization and segregation rules.
- **Activity 3.1.5:** Sanction violators.

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Summary of Annual Performance Targets

Goal Three Foster open, competitive, and financially sound markets. Outcome Objective 3.1 Ensure sound financial practices of clearing organizations and firms holding customer funds. Annual Performance Goal No loss of customer funds as a result of firms' failure to adhere to regulations. No customers prevented from transferring funds from failing firms to sound firms.								
Activity/Strategy	Output Measure 1 /	FY00 Actual	FY01	FY02	Outcome Measure 1 /	FY00 Actual	FY01	FY02
1. Promulgate regulations to ensure sound business, financial, and sales practices in firms participating in the commodities industry.	Number of firms required to transfer customer accounts.	1	1	1	Percentage of customers' funds lost.	0%	0%	0%
	Amount of customer funds lost.	0	0	0				
2. Review and oversee self-regulatory organization audit and financial practices.	Number of oversight audits.	41	35	30	Percentage of financial reports requiring follow up investigations.	5%	4%	4%
	Number of financial investigative reviews.	14	10	8				
	Number of financial reports processed.	5,505	5,000	4,500				
	Number of financial reports resulting in follow-up investigation.	284	200	170				
3. Identify and investigate possible financial, capitalization, segregation, and supervision violations for investigation and possible prosecution.	Number of such investigations opened during the fiscal year.	24	19	19	Of all such investigations closed or resulting in actions during the fiscal year, percentage of such investigations closed or resulting in enforcement action within one year.	59%	61%	57%
	Total number of such investigations closed or resulting in CFTC enforcement action during the fiscal year.	34	28	28	Of all CFTC enforcement investigations pending at the close of the fiscal year, percentage of such investigations.	19%	20%	22%
	Number of such investigations closed or resulting in CFTC enforcement action within one year of the opening of the investigation.	20	17	16				
	Number of such investigations pending at the close of the fiscal year.	26	28	31				
4. Bring cases concerning financial, capitalization, segregation, and supervision violations.	Total number of such cases filed during the fiscal year.	16	11	10	Of all such cases filed during the fiscal year, percentage of such cases filed within one year of the opening of the relevant investigation.	56%	36%	40%
	Number of such cases filed within one year of the opening of the relevant investigation.	9	4	4	Of the total number of CFTC enforcement actions pending the close of the fiscal year, percentage that are such cases.	30%	31%	30%
	Number of such cases pending at the close of the fiscal year.	38	38	37				
5. Sanction violators.	Amount of disgorgement and restitution ordered.	\$42M	\$35M	\$35M	Percentage of cases closed during the year that resulted in sanctions.	100%	100%	100%
	Amount of civil monetary penalties ordered.	\$15M	\$14M	\$13M				
	Number of cease and desist orders.	19	16	15				
	Number of registrations that were ordered restricted.	10	10	10				

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Outcome Objective 3.2								
Promote and enhance effective self-regulation of the commodity futures and option markets.								
Annual Performance Goal								
No loss of customer funds resulting from failure of self-regulatory organizations to ensure compliance with its rules.								
Activity/Strategy	Output Measure 1/	FY00 Actual	FY01	FY02	Outcome Measure 1/	FY00 Actual	FY01	FY02
1. Review and approve self-regulatory organization rules and rule amendments.	Number of SRO rule submissions reviewed.	238	350	350	Percentage of rule submissions completed within:			
	Number of SRO rule amendments reviewed.	1,412	730	730	10 days	80%	90%	90%
					45 days	13%	10%	10%
					75 days	1%	—	—
					180 days	6%	—	—
2. Conduct rule enforcement reviews of self-regulatory organizations (financial practices, sales practices, trade practices, and audit trail).	Number of rule enforcement reviews conducted.	4	7	5	Percentage of planned rule enforcement reviews completed.	57%	TBD	TBD
	Number of rule enforcement recommendations for improvement made.	19	TBD	TBD	Percentage of recommendations adopted by SROs.	100%	TBD	TBD
3. Review and oversee self-regulatory organization audit and financial practices.	Number of oversight audits.	41	35	30	Percentage of financial reports requiring follow up investigations.	5%	4%	4%
	Number of financial investigative reviews.	14	10	8				
	Number of financial reports processed.	5,505	5,000	4,500				
	Number of financial reports resulting in follow-up investigation.	284	200	170				
4. Review adequacy of self-regulatory organization disciplinary actions.	Number of self-regulatory organization disciplinary actions reviewed.	807	800	700	Percentage of disciplinary action reports made in compliance with regulatory standards.	100%	100%	100%
					Percentage of disciplinary actions requiring follow-up review.	25%	25%	25%
5. Conduct direct audits of clearing organizations and firms handling customer money to ensure compliance with capitalization and segregation rules.	Number of direct audits of clearing organizations and firms handling customer money.	27	20	17	Percentage of audited clearing organizations and firms in compliance with capitalization and segregation rules.	100%	100%	100%
	Number of audited clearing organizations in compliance with capitalization and segregation rules.	1	1	1				
6. Promulgate regulations to ensure effective self-regulation by exchanges, clearing organizations, and registered futures associations.	Number of newly promulgated CFTC regulations requiring SRO implementation.	4	4	4	Percentage of SROs implementing new regulations.	100%	100%	100%

Outcome Objective 3.3								
Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.								
Annual Performance Goal								
All requests for information sharing under agreements honored, and new agreements pursued as warranted. All requests for relief responded to within Commission guidelines.								
Activity/Strategy	Output Measure 1/	FY00 Actual	FY01	FY02	Outcome Measure 1/	FY00 Actual	FY01	FY02
1. Coordinate and cooperate with global financial services regulators to share vital information concerning markets, intermediaries, and regulatory structure.	Number of requests from foreign authorities received.	318	300	300	Percentage of requests from foreign authorities honored.	100%	100%	100%
	Number of requests from foreign authorities honored by CFTC.	318	300	300				
	Number of requests made to foreign authorities.	128	150	150	Percentage of requests made to foreign authorities honored.	94%	100%	100%
	Number of CFTC requests honored by foreign authorities.	120	150	150				
	Average response time.	4 days	3 days	2 days				

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Outcome Objective 3.3 (continued) Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.								
Annual Performance Goal All requests for information sharing under agreements honored, and new agreements pursued as warranted. All requests for relief responded to within Commission guidelines.								
Activity/Strategy	Output Measure 1 /	FY00 Actual	FY01	FY02	Outcome Measure 1 /	FY00 Actual	FY01	FY02
2. Coordinate and cooperate with global financial services regulators to develop appropriate global standards and arrangements in the commodities industry as markets emerge and evolve.	Number of global standards, arrangements or initiatives developed.	3	2	2	Percentage of global standards, arrangements, and initiatives adopted.	100%	100%	100%
	Number of global standards, arrangements or initiatives adopted.	3	2	2				
3. Participate in the International Organization of Securities Commissions and represent the Commission at international meetings concerning commodity regulation.	Number of IOSCO and related international meetings held.	34	30	35	Percentage of IOSCO and related international meeting attended by CFTC.	100%	100%	100%
	Number of IOSCO and related international meetings attended by CFTC.	34	30	35				
4. Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among US financial regulators.	Number of President's Working Group meetings held (includes Steering Committee meetings).	24	24	24	Percentage of President's Working Group meetings attended by CFTC.	100%	100%	100%
	Number of President's Working Group meetings attended (includes Steering Committee meetings).	24	24	24	Percentage of President's Working Group recommendations implemented.	100%	100%	100%
					Percentage of assignments/tasks to CFTC completed.	100%	100%	100%
5. Provide exemptive, interpretive, or other relief as appropriate to foster the development of innovative transactions, trading systems, and similar arrangements.	Number of requests for exemptive, interpretive, or other relief.	241	270	275	Percentage of total requests receiving CFTC responses.	90%	78%	69%
	Number of CFTC responses to such requests.	218	210	190				
	Average response time.	6 wks	6 wks	8 wks				

Outcome Objective 3.4 Promote markets free of trade practice abuses.								
Annual Performance Goal No trade practice abuses.								
Activity/Strategy	Output Measure 1 /	FY00 Actual	FY01	FY02	Outcome Measure 1 /	FY00 Actual	FY01	FY02
1. Identify possible trade practice violations for investigation and possible enforcement proceedings.	Number of trade practice investigations completed.	120	100	87	Percentage of total possible trade practice investigations identifying possible violations.	18%	27%	27%
	Number of possible trade practice violations referred to SROs and to Division of Enforcement for investigation.	22	27	23	Percentage of trade practice investigation referrals to Enforcement and SROs resulting in disciplinary action.	10%	10%	10%
2. Investigate possible trade practice violations.	Number of such investigations opened during the fiscal year.	13	12	11	Of all such investigations closed or resulting in enforcement action during the fiscal year, percentage of investigations closed or resulting in CFTC enforcement action within one year of opening.	67%	54%	54%
	Total number of investigations closed or resulting in enforcement actions during the fiscal year.	15	14	13				
	Number of investigations closed or resulting in enforcement action within one year of opening such investigations.	10	8	7	Of all CFTC enforcement investigations pending at the close of the fiscal year, percentage of such investigations.	10%	9%	9%
	Number of investigations pending at the close of the fiscal year.	13	13	13				

Annual Performance Plan

Outcome Objective 3.4 (continued) Promote markets free of trade practice abuses.								
Annual Performance Goal No trade practice abuses.								
Activity/Strategy	Output Measure 1/	FY00 Actual	FY01	FY02	Outcome Measure 1/	FY00 Actual	FY01	FY02
3. Bring cases concerning trade practice violations.	Total number of such cases filed during the fiscal year.	2	2	2	Of the total number of such cases filed during the fiscal year, percentage of such cases filed within one year of the opening of the relevant investigation.	0%	0%	0%
	Number of such cases filed within one year of the opening of the relevant investigation.	0	0	0				
	Number of such cases completed during the fiscal year.	5	2	2	Of all CFTC enforcement cases pending at the close of the fiscal year, percentage of such cases.	8%	9%	10%
	Number of such cases pending at the close of the fiscal year.	10	10	10				
4. Sanction violators.	Number of statutory restraining orders granted.	0	0	0	Percentage of investigations resulting in sanctions.	100%	100%	100%
	Number of preliminary injunctions obtained.	0	0	0				
	Number of permanent injunctions obtained.	1	0	0				
	Amount of restitution and disgorgement granted.	\$6M	\$100K	\$100K				
	Amount of civil monetary penalties granted.	\$1.7M	\$1M	\$1M				
	Number of cease and desist orders obtained.	6	4	4				
	Number of requests for registration restrictions granted.	4	3	3				
	Number of requests for trading prohibitions granted.	3	3	3				

1/ Many new output and outcome measures were developed during the FY 2002 budget formulation process. As such, new measurement data must be formulated. In cases where measurement data is not yet available, the acronym TBD, which stands for "to be determined," has been used in one, two, or all three fiscal year columns.

2/ The discrepancy between the amount of civil penalties imposed and the amount collected is accounted for by the following factors: 1) penalties imposed on one year may not become due and payable until the next year; 2) a penalty may be stayed by appeal; 3) some penalties call for installment payments which may span more than one year; 4) delinquencies assessed in default proceedings against respondents who are no longer in business and who cannot be located or are incarcerated; 5) penalties have been referred to the Attorney General for collection; and 6) collection still in process internally.